

**Moore&VanAllen**

July 25, 2016

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**VIA ELECTRONIC FILING**

Ms. Jocelyn G. Boyd  
Chief Clerk and Administrator  
The Public Service Commission of South Carolina  
Synergy Business Park  
101 Executive Center Drive  
Columbia, South Carolina 29210

Re: Application of Piedmont Natural Gas Company, Inc. for Approval of Revisions to its Rate Schedule 206 to Clarify the Applicability of Penalties Associated with Customer Failure to Comply with Operational Orders

Dear Ms. Boyd:

Attached for filing in the above-referenced docket is the Application of Piedmont Natural Gas Company, Inc. for Approval of Revisions to its Rate Schedule 206 to Clarify the Applicability of Penalties Associated with Customer Failure to Comply with Operational Orders.

Thank you for your assistance with this matter. If you have any questions regarding this filing, you may reach me at the number shown above.

Sincerely,

s/ Scott M. Tyler  
Scott M. Tyler

Enclosure

cc: Office of Regulatory Staff  
Bruce Barkley  
Pia Powers

## DOCKET NO. 2016-\_\_\_\_-G

# Application of Piedmont Natural Gas Company, Inc. for Approval of Revisions to its Rate Schedule 206 to Clarify the Applicability of Penalties Associated with Customer Failures to Comply with Operational Orders

## APPLICATION

1. It is respectfully requested that any notices or other communications with respect to this Application be sent to:

Jane Lewis-Raymond  
Senior Vice President and Chief Legal, Compliance and External Relations Officer  
Piedmont Natural Gas Company, Inc.  
4720 Piedmont Row Drive  
Charlotte, NC 28210  
Telephone: 704-731-4261  
jane.lewis-raymond@piedmontng.com

and

Scott M. Tyler  
Moore & Van Allen PLLC  
100 North Tryon Street, Suite 4700  
Charlotte, NC 28202-4003  
Telephone: 704-331-2463  
scotttyler@mvalaw.com

2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing, and selling natural gas. It is duly domesticated and is engaged in conducting the business above-mentioned in the states of South Carolina, North Carolina, and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in South Carolina are subject to the jurisdiction of this Commission.

3. Piedmont's Rate Schedule 207 (Schedule for Balancing, Cash-Out, and Agency Authorization) includes provisions applicable to transportation customers for balancing their natural gas deliveries to Piedmont with their actual natural gas consumption. Specifically, transportation customers (or their agents) are responsible for matching their daily gas deliveries into Piedmont's system with their daily gas consumption as closely as possible. For any given day, to the extent that the customer delivers into Piedmont's system less gas than they consume, a daily "short" imbalance amount is recorded for that customer. Conversely, a daily "long" imbalance is recorded when the gas they deliver exceeds their actual consumption on that day.

Most of Piedmont's transportation customers typically use a third-party agent for transacting and managing their gas deliveries to Piedmont. Since the agent handles gas deliveries and imbalances for their group of Piedmont transportation customers on a pooled (aggregate) basis, a daily imbalance is recognized at the agent level when the amount of gas they deliver to Piedmont for their pool of customers does not match the amount of gas consumed on that day by their pool of customers.

4. Rate Schedule 207 assigns to Piedmont's transportation customers (or their agents) the responsibility for correcting any imbalances during the month in which those imbalances occur. The cumulative daily imbalances for a month represent a customer's monthly imbalance position. Each month Piedmont performs a cash out of the monthly imbalances. Specifically, Piedmont "sells" gas to customers (or their agents) to settle any monthly short imbalance positions and/or "buys" gas from customers (or their agents) to settle any monthly long imbalance positions, pursuant to the provisions described in Rate Schedule 207.

5. Rate Schedule 207 allows Piedmont to place limits on tolerances of short or long imbalances on an as needed basis through the issuance of an Operational Order or other Company directive. Piedmont has authority to take any action that, in its sole discretion, it deems necessary in order to avoid and/or resolve operating problems, maintain the integrity of its system and ability to provide firm service to customers, provide for the public's safety, comply with the balancing requirements of upstream pipelines, or otherwise. Such authority is described under Rate Schedule 207, Rate Schedule 206 (Schedule for Limiting and Curtailing Service), the Company's South Carolina Service Regulations and the Customer Agent Agreement (Appendix B of the Service Regulations).

6. Historically, insofar as has been practicable, Piedmont has issued prior warning to its transportation customers and agents of the impending need to issue an Operational Order temporarily limiting daily short or long imbalances. Piedmont has issued such warnings in 19 of the past 36 months, with warnings of impending daily long imbalance limits in 7 of those months and warnings of impending daily short imbalance limits in 13 of those months.<sup>1</sup> Such warnings give customers and/or their agents the opportunity to take proactive measures to adjust their daily gas nominations to better match their projected daily gas consumption, thereby possibly preempting the need for an Operational Order. The Company's need to subsequently issue an Operational Order limiting daily imbalances remained in only 8 of those 19 months, the most recent occurrence being in March 2016. Prior to March 2016, each of the Piedmont Operational Orders limited daily short imbalances. The Operational Order Piedmont issued over three days in March 2016 limited daily long imbalances.

7. When customers (or their agents) fail to comply with the imbalance limitations in Piedmont's Operational Orders, they are subject to the financial penalties prescribed under Rate Schedule 206. Specifically, they will be assessed the per dekatherm charge prescribed under the unauthorized over run penalty provision of Rate Schedule 206 for each dekatherm of excess imbalance per day.<sup>2</sup> Additionally, the customer may be subject to disconnection of service and/or the agent may face suspension of their right to transact business on Piedmont's system. Such financial penalties and consequences are deterrents for transportation customers (or their agents) to continue making gas deliveries that do not reasonably match their actual gas

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<sup>1</sup> Piedmont issued warnings of impending daily long imbalance limits in July 2013, July 2014, July 2015, December 2015, March 2016, May 2016 and June 2016. Piedmont issued warnings of impending daily short imbalance limits in November 2013, December 2013, January 2014, February 2014, March 2014, November 2014, December 2014, January 2015, February 2015, November 2015, December 2015, January 2016 and February 2016.

<sup>2</sup> When Piedmont issues an Operational Order limiting daily imbalances, it typically provides for a tolerance level of imbalance that is represented as a percentage of the actual daily consumption. Non-compliance with an Operational Order limiting daily imbalances occurs when the customer or agent delivers gas to Piedmont that is outside of the stated tolerance level. Only such excess imbalance (in dekatherms) is subject to the penalty charges.

consumption at critical times. In other words, these financial penalties and consequences incentivize transportation customers (or their agents) to adhere to an Operational Order and, by extension, to heed the Company's warning of an impending Operational Order. These financial penalties and consequences exist to give Piedmont the control over its system that it needs at the times warranting the issuance of an Operational Order. In Piedmont's view, there is no distinction among the need to apply these remedies to control violations of its Operational Orders based upon whether the Operational Order limits short or long imbalances.

8. In conversations with certain customers and their associated marketers about the March 2016 Operational Order, at least one customer questioned the right of Piedmont to assess the financial penalties for violations of this Operational Order which limited long imbalances, contending that such remedy was available only for short imbalances. Piedmont disagreed with this contention (and that customer ultimately adjusted its intra-month imbalance to comply with the Operational Order), but the episode caused Piedmont to review its tariffs to determine if there was arguable ambiguity about this important system management tool.

9. Ultimately, Piedmont concluded that there was arguable ambiguity in the language of its tariffs on this subject and that such arguable ambiguity justified clarification of its tariffs. Piedmont's proposed clarifying changes are set forth in Attachments A and B hereto, which are clean and red-lined versions of Piedmont's Rate Schedule 206, its Service Regulations, and its Customer Agent Agreement and are intended to clarify that the penalties for "Unauthorized Gas" set forth in its Rate Schedule 206 are applicable to violations of an Operational Order for either long or short imbalances.

10. Piedmont respectfully requests Commission approval of these clarifying changes to its tariffs at its earliest convenience and that they be made effective on September 1, 2016.

WHEREFORE, Piedmont Natural Gas Company, Inc. respectfully requests that the Commission approve the clarifying modifications, effective September 1, 2016, to Rate Schedule 206, its Service Regulations, and its Customer Agent Agreement at the Commission's earliest convenience.

Respectfully submitted, this the 25<sup>th</sup> day of July, 2016.

**Piedmont Natural Gas Company, Inc.**

/s/ Scott M. Tyler  
Scott M. Tyler

OF COUNSEL:

Moore & Van Allen PLLC  
100 North Tryon Street, Suite 4700  
Charlotte, NC 28202-4003  
Telephone: 704-331-2463  
scotttyler@mvalaw.com

STATE OF NORTH CAROLINA  
COUNTY OF MECKLENBURG

VERIFICATION

Pia Powers, being duly sworn, deposes and says that she is Director-Regulatory Affairs of Piedmont Natural Gas Company, Inc., that as such, she has read the foregoing documents and knows the contents thereof; that the same are true of her own knowledge except as to those matters stated on information and belief and as to those she believes them to be true.

*Pia Powers*

Pia Powers

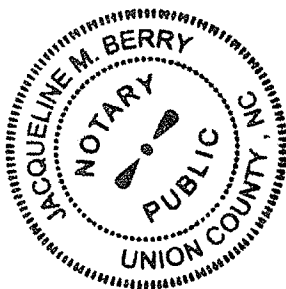
Mecklenburg County, North Carolina  
Signed and sworn to before me this day by Pia Powers

Date: 7/25/16

*Jacqueline M. Berry*  
Jacqueline M. Berry, Notary Public  
*Berry*

(Official Seal)

My commission expires: November 29, 2016



# **ATTACHMENT A RED-LINED TARIFF**

**RATE SCHEDULE 206**  
**SCHEDULE FOR LIMITING AND CURTAILING SERVICE**

**Applicability and Character of Service**

This Service Schedule defines the types of curtailment, interruption and penalty charges that the Company may invoke from time to time for Customers receiving firm or interruptible service due to the occurrence of extreme weather conditions, operating conditions, ~~or~~ force majeure events, or other causes for limitation of service specified in the Company's Service Regulations and Rate Schedules, and describes the process and procedures to be followed in the implementation of ~~gas~~ Gas service restrictions.

**Distribution Pressure Curtailments**

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Company's Service Regulations, or the demands of the Company's firm Customers as the same may affect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will first curtail service to interruptible Customers served under Rate Schedule 204, Rate Schedule 208, or Rate Schedule 214, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and the Rules and Regulations of the Public Service Commission of South Carolina.

**Supply or Capacity Related Curtailments**

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring firm sales services from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule 204, or Rate Schedule 208 by priority of their margin contribution to the Company. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 214 at market prices in order to serve firm Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and the Rules and Regulations of the Public Service Commission of South Carolina.

**Emergency Service**

The Company will make every reasonable effort to deliver/redeliver plant protection volumes of Gas to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency service is interruptible and is of a discretionary nature on the part of the Company and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries/Redeliveries of ~~gas~~ Gas for emergency service hereunder shall be made pursuant only to advance operating arrangements

Issued by: Thomas E. Skains, Chairman, President and CEO

Issued: ~~March 23, 2016~~

Docket No. ~~2016-97-G~~

Effective: ~~April 1, 2016~~ September 1, 2016

**RATE SCHEDULE 206**  
**SCHEDULE FOR LIMITING AND CURTAILING SERVICE**

between the Company's authorized personnel and the Customer and shall be subject to modification, curtailment ~~and or~~ interruption at any time should the Company deem it necessary.

**Rate for Emergency Service**

If the Company has authorized the Customer to receive emergency service as provided in the above paragraph, then all ~~gas~~ Gas so consumed by the Customer for emergency service will be at a rate set forth on the Company's "Rates and Charges" tariff sheet, plus the usage rate for Rate Schedule 204 and 214 as applicable, plus the higher of two commodity indices - a "Monthly Contract Price" or a "Daily Price" - for each dekatherm of consumption. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as first published in Inside F.E.R.C.'s - Gas Market Report in the table titled "Monthly Bidweek Spot Gas Prices" under the heading "Louisiana/Southeast Transco, zone 3" in the column titled "Index", plus Transco's zone 3 to zone 5 IT transportation rate inclusive of all surcharges and fuel. "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Northeast", "Transco, zone 6 non-N.Y.", "Midpoint" price. For days of consumption when the "Monthly Contract Price" is not published, the "Monthly Contract Price" shall equal the corresponding "Daily Price" published for the first day of the month of flow. For days of consumption when the "Daily Price" is not published, the "Daily Price" shall equal the average of the corresponding "Daily Price" as published on the nearest preceding and nearest subsequent day. Customers who bring into Piedmont's system authorized quantities of ~~gas~~ Gas for emergency service redeliveries shall not be subject to the commodity index billing stated above for such quantities. The Customer's consumption will continue to be billed hereunder until the Company notifies the Customer that either (1) further ~~gas~~ Gas sales or redeliveries may be made under the Customer's regular Rate Schedule or (2) complete curtailment is unavoidable and that further ~~gas~~ Gas sales or redeliveries will be considered unauthorized.

**Penalty for Unauthorized ~~Over-Run~~ Penalty Gas**

If at any time a Customer fails to discontinue the consumption of ~~gas~~ Gas limited by the Company pursuant to an Operational Order ~~after being directed to do so by the Company~~, fails to abide by imbalance restrictions imposed by the Company through the issuance of an Operational Order or otherwise takes ~~gas~~ Gas or delivers Gas to the Company at levels in excess of the quantities specified by the Company, any such quantities shall constitute ~~an unauthorized over run volume~~ "Unauthorized Gas". For each dekatherm of such ~~Unauthorized Gas~~ ~~unauthorized over run volume taken by such Customer~~, ~~such~~ Customer shall pay to the Company a rate set forth on the Company's "Rates and Charges" tariff sheet, plus the usage rate for Rate Schedule 204 (~~sales~~) and or Rate Schedule 214 (transportation) as applicable, plus the higher of two gas commodity indices - a "Monthly Contract Price" or a "Daily Price" as both are defined above. Such three-part rate shall constitute the Unauthorized Gas penalty charge applicable except in instances of Customer's failure to abide by restrictions on long imbalances which shall be subject to the standalone rate set forth on the Company's "Rates and Charges" tariff sheet. Customers causing Unauthorized Gas shall be further subject to immediate termination of service or disconnection from the Company's system. In the event of such termination of service or disconnection, service shall not be restored until the Commission-approved reconnection fee has been paid by Customer to Company.

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Issued: ~~March 23, 2016~~

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**RATE SCHEDULE 206**  
**SCHEDULE FOR LIMITING AND CURTAILING SERVICE**

The Customer's consumption and/or Gas deliveries to the Company will continue to be unauthorized until the Company notifies the Customer that either (1) the curtailment event, Operational Order or other restriction imposed by the Company has been lifted, thereby enabling further gas-Gas sales or redelivery service to ~~may~~ be made under the Customer's regular rate schedule, or (2) the Company agrees to provide emergency service ~~Emergency Service~~ under this Rate Schedule, ~~or (3) the Company terminates flow at the valve.~~

The Customer shall be liable for the ~~above~~ Unauthorized Gas penalty charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the upstream interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for ~~unauthorized~~ Unauthorized Gas over run volumes shall not under any circumstances be considered as giving any such Customer the right to fail to comply with the Company's Operational Orders or other imposed restrictions ~~take unauthorized over run volumes~~, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule.

**Payment of Bills**

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

**Late Payment Charge**

A late payment charge of one and one-half percent (1½%) per month will be applied to all customers' balances not paid prior to the next month's billing date.

**Applicable Documents Defining Obligations of the Company and Its Customers**

Service under this rate schedule is subject to the Rules and Regulations of the Public Service Commission of South Carolina ("Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Public Service Commission of South Carolina, 101 Executive Center Dr., Columbia, SC 29210, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at [www.piedmontng.com](http://www.piedmontng.com).

Issued by: Thomas E. Skains, Chairman, President and CEO

Issued: ~~March 23, 2016~~

Docket No. ~~2016-97-G~~

Effective: ~~April 1, 2016~~ September 1, 2016

PIEDMONT NATURAL GAS COMPANY  
SOUTH CAROLINA CUSTOMER AGENT AGREEMENT

**APPENDIX B**

**CUSTOMER AGENT AGREEMENT**

This Customer Agent Agreement (“Agreement”) is made this \_\_\_\_\_ day of \_\_\_\_\_, 201\_, by and between Piedmont Natural Gas Company, Inc. (“Piedmont”) and \_\_\_\_\_ (“Agent”).

WHEREAS, Piedmont’s natural gas transportation tariffs provide for the ability of customers receiving Piedmont’s transportation services to designate and utilize a third-party agent for purposes of making nominations for and delivering natural gas to Piedmont on behalf of such customers and managing imbalances on the Piedmont system resulting from such activities; and

WHEREAS, in undertaking such activities on behalf of Piedmont’s customers, such Agents have the capacity to create material economic and operational risks for Piedmont and its customers; and

WHEREAS, Agent desires to act as a Customer Agent on Piedmont’s system; and

WHEREAS, Piedmont is willing to permit Agent to operate on its system under the terms and conditions set forth herein and under the parameters of Piedmont’s approved tariffs and service regulations.

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Piedmont and Agent agree as follows:

1. Establishment and Maintenance of Creditworthiness. Each Agent must establish credit with Piedmont in the form of a Letter of Credit, escrow deposit, parental guaranty, or otherwise, in form and substance acceptable to Piedmont, in an amount equal to or greater than the dollar value obtained by the following formula at all times:

The higher of Agent’s average daily load for the previous month or Agent’s First-of-Month confirmed daily nomination quantity for the new month x 3 days x (NYMEX prompt month close) x 1.25.

Each month, prior to nominating transactions for the first of the month business, an evaluation will be made to ensure that the established credit does not fall below the value obtained from the formula shown above. In the event Agent’s established credit falls below the value obtained through application of the formula shown above, either during this monthly evaluation or at any other time, Piedmont may require that the value of said Letter of Credit, escrow deposit, parental guaranty, or other form of assurance be changed at any time in order to reestablish adequate

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creditworthiness hereunder. In the event Agent fails to establish creditworthiness as set forth above, or fails to comply within 5 days with directions from Piedmont to increase the amount of its credit instruments as provided herein, then Agent's right to conduct business on the Piedmont system shall be suspended until such time as Agent shall be in compliance with the creditworthiness provisions set forth herein (including any requirements to increase said creditworthiness).

2. Customer Agent Imbalance Restrictions. Agent shall use all reasonable efforts to minimize intra-month imbalances. Agent shall not create a cumulative intra-month imbalance which exceeds three times Agent's aggregate First-of-Month confirmed daily nomination quantity. If this cumulative month-to-date imbalance restriction is exceeded at any time, then Agent's authorization to conduct business on Piedmont's system shall be immediately suspended except to the extent of transactions designed to reduce Agent's cumulative month-to-date imbalance. Upon any such suspension, Agent's authorization to conduct business on the Piedmont system shall not be restored until such time as Agent is in full compliance with the provisions hereof and all applicable provisions of Piedmont's Service Regulations, Rate Schedule~~tariffs and service regulations~~ and Operational Orders, as in effect from time to time.

3. Allocation of Imbalance Quantities/Penalties. Concurrent with the submission of monthly nominations, Agent shall provide Piedmont with a schedule of allocated nominations for customers to be served by Agent for the following month. This allocation shall serve as the basis for resolving imbalances with Agent's customers to the extent those imbalances are not resolved by Agent. In the event Agent fails to submit such schedule, and further fails to resolve any monthly imbalance during the term hereof, those imbalances and any attendant penalties shall be allocated to Agent's customers, *pro rata*, based upon the actual usage of each such customer during the month to which the unresolved imbalance and/or penalties is attributable.

4. Failure to Comply with Operational- ~~Orders~~ Notices, and Agent Creditworthiness and Imbalance Requirements. If Agent fails to adhere to the imbalance and credit requirements set forth above, or to obey an Operational Order or other specific instructions issued by Piedmont and designed to preserve the operational integrity of Piedmont's system, Agent (a) shall be subject to the Unauthorized Gas Over Run-Ppenalty provisions of Piedmont's Rate Schedule 206, and (b) shall have its right to transact business on Piedmont's system suspended.

5. Term. This Agreement shall become effective as of the date first written above and shall continue in full force or effect until terminated by either party hereto upon sixty (60) days written notice.

6. Supplemental Nature of Agreement. This Agreement is supplemental to the provisions of Piedmont's approved tariffs and service regulations, the provisions of which shall also apply to services rendered hereunder. As such, the restrictions and requirements set forth herein are cumulative in nature and in addition to any other imbalance or penalty provisions set forth in Piedmont's approved tariffs and service regulations.

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7. Billing and Payment. Billings to Agent for any amounts due hereunder, and payments by Agent on such billings, shall be made in a manner consistent with the billing and payment provisions of the underlying transportation tariffs pursuant to which service is rendered.

8. Miscellaneous.

- A. Modification. This Agreement may not be modified or amended except by the execution of a written agreement by the parties hereto.
- B. Waiver. No failure by any party to enforce this agreement with respect to any default in the performance of any of the provisions of this Agreement shall operate or be construed to operate as a waiver thereof or of any similar future default.
- C. Assignment. This Agreement may not be assigned by any party hereto without the express written consent of the other party hereto.
- D. Jurisdiction. This Agreement and the respective obligations of the parties hereto are subject to all valid laws, orders, rules and regulations of the Public Service Commission of South Carolina and any other governmental bodies having jurisdiction.
- E. Conflict of Laws. The construction, interpretation, and performance of this Agreement shall be in accordance with the substantive laws of the State of South Carolina without regard to any conflicts of laws provisions thereof.

IN WITNESS WHEREOF, the undersigned parties have executed this agreement as of the year and date first written above.

AGENT

PIEDMONT NATURAL GAS COMPANY

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

MAILING ADDRESS

Please submit to: Transportation & Pipeline Services  
Piedmont Natural Gas Company  
P.O. Box 33068

Issued by: Thomas E. Skains, Chairman, President and CEO

Issued:

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PIEDMONT NATURAL GAS COMPANY  
SOUTH CAROLINA CUSTOMER AGENT AGREEMENT

Charlotte, N.C. 28233

OR

Transportation & Pipeline Services  
Fax Number: (704) 364-8320

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Issued:  
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**PIEDMONT NATURAL GAS COMPANY  
SOUTH CAROLINA SERVICE REGULATIONS**

1. Foreword. Piedmont Natural Gas Company, Inc. (the "Company") is a natural gas distribution company and is engaged in the business of selling and transporting natural gas for various customers. The purpose of these Service Regulations is to set forth the respective obligations of the Company and its South Carolina customers.

2. Definitions. As used in these Service Regulations, the following terms shall have the meanings assigned below:

- (a) The "Commission" shall mean the Public Service Commission of South Carolina, which regulates gas utilities operating within the State of South Carolina.
- (b) The "Company" shall mean Piedmont Natural Gas Company, Inc.
- (c) "Customer" shall mean any person, firm, association, or corporation, or any agency of the Federal, State or local government receiving gas service from the Company.
- (d) "Dekatherm" is the basic energy unit purchased by the Company and shall mean the unit of energy equivalent to 1,000,000 BTU.
- (e) "Force Majeure" shall mean acts of God, extreme weather conditions, strikes, lockouts, or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakages or accidents to machinery, lines of pipe or the Company's peak shaving plants, freezing of wells or lines of pipe, partial or complete curtailment of deliveries to the Company by its suppliers, reduction in gas pressure by its suppliers, inability to obtain rights-of-way or permits or materials, equipment or supplies for use in the Company's peak shaving plants, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the Company and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.
- (f) "Gas" shall mean undiluted natural gas, or a substitute for or mixture thereof, as delivered by the Company.

**PIEDMONT NATURAL GAS COMPANY  
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- (g) Gas Service Line” shall mean the pipe that runs between a main or a pipeline and a Customer’s meter.
- (h) “Main” shall mean a gas pipe, owned, operated or maintained by the Company, which is used for the purpose of transmission or distribution of gas, but does not include “Gas Service Line”.
- (i) “Margin” for curtailment purposes shall mean the filed tariff rate per unit of gas or negotiated rate per unit of gas for a Customer, less the per unit cost of gas, where applicable, as determined in the Company’s last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.
- (j) “Meter”, without other qualification, shall mean any device, or instrument which is used by the Company in measuring a quantity of gas.
- (k) “Meter assembly” shall mean Company’s meters, regulator, piping, valves, vents, relief valves, gauges and/or other apparatus required to meter and control flow or pressure of gas.
- (l) “Operating Conditions” shall mean any modification, test or scheduled or unscheduled repair to the Company's distribution system which in the Company's discretion is necessary to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.
- (m) “Operational Order” shall mean a written order by Company’s dispatcher, or other Company representative acting on behalf of Company’s dispatcher, to limit, modify, curtail or interrupt the use of Gas as required or permitted by the Commission Rules and the Company’s Service Regulations, Special Contracts, and Rate Schedules.
- (~~mn~~) “Premise(s)” shall mean a piece of land or real estate, including buildings and other appurtenances thereon.
- (~~no~~) “Therm” is the basic billing unit of the Company and shall mean the unit of energy equivalent to 100,000 BTU.
- (~~op~~) “Transportation” shall mean the receipt of natural gas supplies that have been arranged by the Customer for delivery to the Company’s city gate and the redelivery of such natural gas supplies to the Customer’s premise.
- (q) “Unauthorized Gas” shall have the meaning set forth in Rate Schedule 206.

**PIEDMONT NATURAL GAS COMPANY  
SOUTH CAROLINA SERVICE REGULATIONS**

**3. Applicable Documents Defining Obligations of the Company and its Customers.**

The obligations of the Company to provide service and the obligations of the customer upon receipt of service are set forth in (a) the applicable statutes as set forth in Section 58 of the Code of Laws of South Carolina, (b) the applicable Rules and Regulations of the Commission, (c) the applicable rate schedule(s), (d) these Service Regulations and (e) any written application or other document executed by the Company and the customer pertaining to such service. Copies of these documents described in (b)-(e) above are available for inspection at each of the district offices of the Company. Upon request of any customer, the Company will provide the customer with a copy of the applicable rate schedule(s), these Service Regulations and any written application for service or other documents executed by the Company and the customer pertaining to such service. No promise, statement or representation by an employee or agent of the Company or by any other person shall bind the Company to provide service or to change the terms and conditions upon which service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In no event shall the customer be relieved from its obligation to pay in full the amount due for service received from the Company by the customer. In the event there is a conflict between these Service Regulations and the provision of the applicable currently effective rate schedule, the provisions of the rate schedule shall govern.

**4. Delivery Pressure.** The Company will provide to residential Customers a delivery pressure of either 7 inches water column (approximately 1/4 psig) or 2 psig. Commercial and Industrial Customers can be provided a delivery pressure of up to 5 psig. Delivery pressures of higher than 5 psig will be considered only if 1) requested in writing 2) justified by requirements of the fuel burning equipment. Documentation of such requirements must also be provided. Approval will be conditioned on the Company's distribution system pressure availability. Exceptions are subject to the approval of the Company.

**5. Applicable Documents Subject to Change.** All of the documents defining the obligations of the Company to provide service and the obligations of the customer upon the receipt of service are subject to change from time to time upon approval of the Commission and by other duly constituted governmental authorities. The Company does not undertake to advise any customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

**6. Non-Waiver.** The failure of the Company to enforce any provision of any applicable documents defining the obligations of the Company and its customers shall not be deemed to be a continuing waiver of such provisions for any customer or a waiver of any other provision of any of the applicable documents.

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7. Application for Initial Service. The Company shall not be required to supply service to any customer unless and until the customer has executed an application for service which, among other things, contains the date of the application, the name of the applicant, the location of the premises for which service is requested, the type of service applied for and estimated gas consumption. The Company may, at its sole option, waive the requirement for a written application, in which event the obligations of the Company to provide service and the obligations of the customer upon receipt of service shall be controlled by the other applicable documents defining the obligations of the Company and its customers.

8. Application to Increase Gas Load. Residential customers receiving gas service from the Company will be permitted to increase their residential gas loads at the same premises without application to the Company. All other customers shall make application to the Company before increasing their gas load and before changing the purpose for which they use gas. The application will contain, among other things, the date of the application, the name of the applicant, the location of the premises for which service is requested, the type service applied for and estimated monthly gas consumption. If, in the Company's opinion, the Company has the capability to provide the additional or changed gas service without interfering with the Company's ability to provide service to its other customers, the Company will permit the customer to increase its load or to change the purpose for which it uses gas.

9. Non-Assignability of Right to Service. Any rights which accrue to the customer under any of the applicable documents defining the obligations of the Company and its customers are personal and may not be transferred or assigned without the written consent of the Company.

10. Vacated Premises. The customer will notify the Company before quitting or vacating the premises served and will pay upon presentation all bills due the Company.

11. Right-of-Way. The customer shall at all times furnish the Company a satisfactory and lawful right-of-way, at no cost to the Company, over the customer's premises for the Company's mains, services, and apparatus necessary or incidental to the furnishing of service. The obligation of the Company to supply service is dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises or permits, for the delivery of such service, and the Company shall not be liable to the customer for any failure to deliver service because of the Company's inability to secure or retain such rights-of-way, privileges, franchises or permits.

12. Access to Customer's Premises. The Company shall at all reasonable times have the right of ingress to and egress from the premises of the customer for any and all purposes connected with the provision of service. The Company shall have the right, at

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its option and at its own expense, to place demand meters, pressure gauges, or other instruments on the premises of the customer for billing, testing, or other purposes with respect to the customer's service.

13. Installation and Maintenance of Facilities. The Company will install and maintain the necessary mains, gas service lines, valves, regulators, meters, over-pressure devices, indexes, gauges, and/or other equipment or facilities required to provide service. All facilities from the point of connection at the outlet of the meter assembly shall be installed and maintained by and at the expense of the customer. The Company may specify the content and pressure of the gas to be furnished, the location of the meter and the point where the service connection shall be made.

14. Service Line Policy. The facilities to be installed by the Company in accordance with the foregoing paragraph will be at no cost to the Residential Customer if (1) at a minimum the Customer will be installing central gas heating, (2) the gas service line extends along the route selected by the Company and (3) the gas service line is no more than 100 feet. In the event that the above conditions are not met, the service rendered to the Customer must provide a reasonable return to the Company. If the Customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than 100 feet and/or the service to be rendered to the Customer will not produce a reasonable return to the Company, the Company may require the Customer to pay the excess cost of constructing the facilities along the alternate route or in excess of 100 feet and/or to make a contribution which will permit the Company to earn a reasonable return.

15. Relocation of Facilities. After a service connection has been made, it may be relocated on the customer's premises by the Company upon request of the customer, but the customer must bear the expense of the relocation, and the relocation will not be made where it will interfere with or jeopardize the Company's service either to the customer desiring the change or to any other customer or customers. The customer must also agree to change the location of the right-of-way and to bear the expense of the change. In no event, however, will the Company be required to relocate facilities if the relocation would interfere with or jeopardize the Company's service, either to the customer requesting the change or to any other customer or customers. All privileges of the Company incident to the original location shall apply to the new location.

16. Title to the Facilities. The title to all facilities including mains, gas service lines, meters and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the customer for extending service.

17. Responsibility Beyond Delivery Point.

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- (a) Before installing gas pipes or appurtenant facilities and before purchasing gas equipment, the customer shall give the Company notice, and shall ascertain the character of service available at such premise. The Company may specify the content and pressure of gas to be furnished, consistent with Commission rules.
- (b) Before permitting the initial use of gas at any location, a certificate of inspections and tests of customer owned piping shall be furnished the Company by the customer or by the local inspecting authority.
- (c) All piping and equipment installed by or on behalf of the customer must be installed and maintained in accordance with the requirements of the local, county, state, and federal authorities, and the customer shall keep in good and safe repair and condition all such piping and equipment from the point of connection of the meter assembly with the facilities of the Company.
- (d) If the customer's equipment might create either a vacuum or a back pressure, a device must be installed and maintained by the customer to protect the Company's facilities.
- (e) Equipment which will operate in one locality may be useless in another due to difference in gas pressure or content; therefore, before piping a premises or purchasing equipment, the customer shall give the Company notice, and shall ascertain the character of service available at such premises.
- (f) The Company is merely a furnisher of gas at the point where it passes from the Company's mains and services to the piping of the customer, and the Company shall not be responsible for any damage or injury to the buildings or other property of the customer due to gas installations, defective equipment, or other causes not due to the negligence of the Company. The Company shall not be in any way responsible for the transmission, use, or control of gas beyond the delivery point, and the Company shall not be liable for any damage or injury to any person or property whatsoever, or for the death of any person or persons arising, accruing, or resulting in any manner from the receiving or use of gas.

18. Interference with Company Property. The customer shall not interfere with or alter the Company's meters or other property or permit the same to be done by any person other than the Company's authorized agents or employees. Damages caused or permitted by the customer to said property shall be paid for by the customer. South Carolina law

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makes it unlawful to alter, tamper with or by-pass a gas meter. This law provides for fines and/or imprisonment at the discretion of the court for this offense. In addition, this statute provides for recovery in a civil action by the Company for losses and damages sustained.

19. Excavation in Proximity of Company's Facilities. The customer shall inform the Company of planned excavation activities in the proximity of the Company's facilities by calling the toll free number 1-800-922-0983 at least 72 hours in advance of the planned excavation activities. The customer will notify the Company prior to any additions or changes in his or her facilities which will extend over, under, or in close proximity to the Company's facilities.

20. Prohibition Against Resale of Gas. Gas is sold and delivered upon the express condition that the customer shall not directly sell or resell, assign, or otherwise dispose of gas, or any part thereof, to any person, firm, or corporation, except where service is supplied under a rate schedule specifically providing for resale. Under no circumstances will the Company supply gas for resale in competition with the Company.

21. Curtailment or Interruption of Service. In the event of a curtailment or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such curtailment or interruption due to accidents, force majeure, extreme weather conditions, operating conditions or causes beyond its control.

22. Action to Maintain System Integrity. When the Company in its discretion determines that it is necessary to limit, modify, curtail or interrupt service to maintain the integrity of its distribution or transmission system, ~~or~~ to provide for its or the public's safety, or otherwise when Operating Conditions are such that the Company deems such action to be necessary, the Company shall have the right to limit, modify, curtail or interrupt service delivery of gas to any customer Customer through the issuance of an Operational Order. Violation of such Operational Orders by any Customer shall subject such Customer to disconnection and/or financial penalties as provided in Rate Schedule 206.

23. Discontinuance of Service. The Company, subject to the rules of the Commission, shall have the right to suspend or discontinue its service for (a) repairs or other necessary work on its mains or systems, (b) for nonpayment of bill in accordance with the R103-452 of the Commission's Rules and Regulations, as the same may be amended from time to time, and (c) for any of the following reasons:

- (a) For any misrepresentation as to the identity of the customer making the application for service.

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- (b) For violation by the customer of any terms or conditions of the documents defining the obligations of the Company to provide service and the obligations of the Ceustomer upon the receipt of service.
- (c) For the reason that the customer's use of the Company's service is detrimental to the service of other Ceustomers. This may cover a Customer's failure, directly or indirectly, to deliver Gas to the Company or the violation by the Customer of an Operational Order.
- (d) For the reason that the customer's use of the Company's service conflicts with or violates orders, ordinances or laws of the State of South Carolina, or any subdivision thereof, or of the Commission or of any other governmental agency having jurisdiction over the Company or the customer.
- (e) For the reason that piping, equipment, appliance or device is installed or in use on the customer's premises which permits the gas to be used without passing through the Company's meter, or which prevents or interferes with the accurate measuring of the gas by the Company's meter other than when such gas use is authorized under a non-metered rate schedule.
- (f) For failure of the customer to make, restore, or increase his or her deposit as required.
- (g) In the event of a condition determined by the Company to be hazardous.
- (h) In the event of tampering with the equipment furnished and owned by the Company.

Where the service has been discontinued for any reason except for the failure to pay for repairs or other necessary work by the Company, the Company shall have the right to refuse service at the same premises to any other applicant who is a member of the family of the former customer, or who resided on said premises until the reason for discontinuance has been resolved. The Company may require reasonable proof of identity of the applicant of service.

24. Removal of Equipment. In the event of such discontinuation of service, the Company may enter the premises of the customer at any reasonable time and remove the Company's meters, apparatus, appliances, fixtures or other property.

25. Non-Waiver of Default. Any delay or omission on the part of the Company to exercise its right to discontinue or suspend service, or the acceptance of a part of any

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amount due, shall not be deemed a waiver by the Company of such right so long as any default in whole or in part or breach of contract on the part of the customer shall continue, and whenever and as often as any default or breach of contract shall occur.

26. Establishment of Credit by Customer. The Company may require an applicant for service to satisfactorily establish credit pursuant to R103-431 of the Commission's Rules and Regulations.

27. Deposits. Pursuant to R103-431 of the Commission's Rules and Regulations the Company may require from any customer or from any prospective customer, a cash deposit intended to guarantee payment of bills for service. Interest paid on deposit and deposit retention will be in accordance with R103-433 and R103-436 of the Commission's Rules and Regulations.

28. Billing Procedure.

- (a) Meters will be read and bills rendered monthly on a cycle basis of not less than 28 days nor more than 34 days. All bills are due and payable at the office of the Company during regular business hours when rendered and become past due after twenty-five (25) days in the case of residential customers and fifteen (15) days in the case of customers other than residential, from the date the bill is rendered.
- (b) A late payment charge of one and one-half percent (1½%) per month will be applied to all customers' balances not paid within twenty-five (25) days from the billing date.
- (c) The Company will endeavor to deliver to the Customer a monthly bill of the amount due to the Company by mailing said bill by first-class mail to the mailing address furnished by the Customer or, at the Customer's election, by sending the bill electronically by way of computer internet connection. Failure to receive a bill will not entitle the Customer to any extension of time for payment beyond the past due date.
- (d) Where a meter for any reason is not read at the regular reading date, the Company may estimate the amount of service used by referring to the Customer's consumption for a similar prior period. To the extent practicable, the Company will avoid sending a Customer two successive estimated bills; however, in cases of force majeure, as defined under Section 2(e) Definitions, bill estimates may be permitted for two successive billing periods, or greater. The Company will bill the Customer on the basis of the estimated use and will make any necessary adjustments when the meter is next read.

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- (e) No claim or demand which the customer may have against the Company shall be offset or counterclaimed against the payment of any sum of money due the Company by the customer for services rendered, and all such sums shall be paid in accordance with the agreement regardless of such claim or demand.

29. Adjustment of Bills Due to Failure or Inaccuracy of Meter. Bills which are incorrect due to meter or billing errors will be adjusted as provided in R103-440 of the Commission's Rules and Regulations. Transportation Customers requiring adjustment to their bills for meter or billing errors shall be adjusted in accordance with R103-440 of the Commission's Rules and Regulations except for the commodity portion which shall be cashed out in accordance with Rate Schedule 207.

30. Returned Check Charge. Where the customer makes payment for service by check which is not honored or paid by the bank, full payment will immediately be due and payable, and the Commission approved handling charge will be made.

31. Curtailment of Service. It is contemplated that the Company will from time to time find it necessary to curtail gas service to those customers who purchase gas from the Company under interruptible rate schedules. In addition, unavailability of gas supplies, requirements of public safety or other factors beyond the control of the Company may make curtailment of any customer necessary. In all such events, to the extent practicable, the Company will curtail those customers paying the least margin per dekatherm first. If it is necessary or interrupt some but not all of the customers paying the same margin per dekatherm, then, to the extent practicable, service shall be curtailed to the customers paying the same margin per dekatherm on a pro rata basis.

32. Reconnection Fees. When service has been discontinued at the request of the Customer or a member of a Customer's family residing at the same residence, or for nonpayment of bills, and if reconnection is requested by the same Customer or a member of such Customer's family residing at the same residence, on the same premises within one year after date of discontinuance, the Commission-approved Reconnection Fees will be charged.

33. Applicable Rate Schedules. The Company will at all times have current rate schedules on file with the Commission. The rates contained in these rate schedules are subject to change from time to time as permitted by Commission.

34. Residential Rate Service Classification. Residential rate service classification under the Company's Rate Schedules 201 and 221 shall be based on the following criteria:

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A. Definitions: As used in residential rate service classification, the following terms shall have the meanings assigned below:

(1) “Residential Base Load Period” shall mean the cycle billing months of July and August.

(2) “Base Load Usage” shall mean the amount of natural gas used by a customer as reflected by the Company’s invoices for that Customer during the cycle billing months of July and August.

B. Procedure:

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Step 1. During the month of September of each year, the Company will determine for each customer served under Rate Schedules 201 and 221 the customer's Base Load Usage during each month of the Company's Residential Base Load Period.

Step 2. A Rate Schedule 201 Customer whose base load usage during each month of the Residential Base Load Periods of the most recent two years is less than 15 therms will be transferred to Rate Schedule 221. A Rate Schedule 221 Customer whose base load usage is equal to or greater than 15 therms in either month of the Residential Base Load Period of the most recent past year will be transferred to Rate Schedule 201.

All changes in rate classification under this section shall be effective on the first day of November following the most recent Residential Base Load Period.

C. Exceptions:

- (1) New Customers will be assigned a Residential Rate Classification according to their reasonably anticipated base load usage associated with the type and number of appliances installed at the customer's premise prior to the gas meter being set and turned on.
- (2) Existing Customers currently being billed under Rate Schedule 221 who add a piece of natural gas equipment that will clearly increase the Customer's base load usage to a level that will qualify that Customer for Rate Schedule 201 may, upon notification to the Company and subject to verification by the Company, be transferred to the new Rate Schedule prior to November 1.
- (3) All Residential Customers who receive a rebate for the purchase and installation of a qualifying natural gas tankless water heater pursuant to the Company's High Efficiency Equipment Rebate Program or who otherwise make known to the Company that they operate for their premise a natural gas tankless water heater, shall be billed under Rate Schedule 201.

35. Commercial Rate Service Classification. Commercial Rate Service Classification under the Company's Rate Schedules 202, 232, 252 and 262 shall be based on the following criteria:

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A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

- (1) “Annual Review Period” shall mean the twelve (12) months ended on December 31 of each year.
- (2) “Actual Annual Usage” shall mean the actual natural gas volumes consumed by the Customer during the Annual Review Period as reflected on the Company’s invoices for the Customer.
- (3) “Classification Usage” shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 202 and Rate Schedule 232 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 252 and Rate Schedule 262 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.
- (4) “Involuntary Curtailment Days” shall mean those days or portions of days in a given Annual Review Period where curtailment of the Customer’s natural gas service was imposed by the Company’s decision to curtail.
- (5) “Service Days” shall mean 365 days less the number of Involuntary Curtailment Days.
- (6) “Average Daily Usage” shall be the Customer’s Actual Annual Usage divided by the number of Service Days within the Annual Review Period.
- (7) “Summer Load Percentage” (SLP) shall mean the percentage of the Customer’s Actual Annual Usage that occurs during the seven (7) month summer period of April through October in a given calendar year.

B. Procedures:

- (1) At the conclusion of the Annual Review Period of each year and prior to June 1<sup>st</sup> of the ensuing year, the Company will determine for each customer served under Rate Schedule 202, Rate Schedule 232, Rate

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Schedule 252, and Rate Schedule 262 that Customer's Average Daily Usage and their SLP.

- (2) Those customers currently receiving service under Rate Schedule 202 or Rate Schedule 232 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 252 or Rate Schedule 262 as applicable, effective on the first day of June following the most recent Annual Review Period.
- (3) Those customers currently receiving service under Rate Schedule 202 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP is greater than 30% will be transferred to Rate Schedule 232 effective the first day of June following the most recent Annual Review Period.
- (4) Those customers currently receiving service under Rate Schedule 232 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 202 effective the first day of June following the most recent Annual Review Period.
- (5) Those customers currently receiving service under Rate Schedule 252 or Rate Schedule 262 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 202 or Rate Schedule 232 as applicable, effective on the first day of June following the second, and most recent, Annual Review Period.
- (6) Those customers currently receiving service under Rate Schedule 252 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP exceeds 30% will be transferred to Rate Schedule 262 effective the first day of June following the most recent Annual Review Period.
- (7) Those customers currently receiving service under Rate Schedule 262 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 252 effective the first day of June following the most recent Annual Review Period.

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(8) Those customers currently receiving service under Rate Schedule 202, 232, 252, or 262 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 203, 204, 213, or 214 as applicable.

C. Exceptions: If a customer currently being billed under Rate Schedule 202 or Rate Schedule 232 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 252 or Rate Schedule 262, the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

36. Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 203, 204, 213 and 214 shall be based on the following criteria:

A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:

- (1) "Actual Annual Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company as reflected on the Company's bills for that Customer.
- (2) "Average Dekatherm per Day" shall mean the Actual Annual Usage of a Customer divided by the number of Service Days within the Review Period.
- (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 202 shall not exceed an average usage of 50 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 203, 204, 213 and 214 shall exceed an average usage of 50 dekatherms per day.
- (4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Review Period where curtailment of the

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Customer's natural gas service was imposed by the Company's decision to curtail.

- (5) "Review Period" shall mean the twelve (12) months ended on December 31, or the regularly scheduled meter reading nearest December 31.
- (6) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

**B. Procedure:**

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 203, 204, 213 and 214 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 202, 232, 252 or 262 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 203, 204, 213 or 214, as applicable. A Rate Schedule 203, 204, 213 or 214 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 203 or 204 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

- C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the

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Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting from the retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 203 or 204, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, service will be provided under Rate Schedule 203 or 204, dependent upon rate qualification.

- D. Requirements: Upon reclassification from Rate 202, 232, 252 or 262 to either Rate 203, 204, 213, or 214, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

37. Limitation on Liability for Rendering Service on an Incorrect Rate Schedule. If it is determined that a customer has been placed on an incorrect rate schedule, the customer shall be placed immediately on the correct rate schedule and the customer's bill shall be adjusted for such period (not to exceed 6 months) that the customer was on the incorrect rate schedule. The customer and/or Company shall have 90 days in which to pay any such adjustment. Except as herein provided, neither The Company nor the customer shall have any liability to the other party with respect to the purchase and/or sale of gas under an incorrect rate schedule.

38. Agency Authorization. Certain Rate Schedules permit Customer to authorize a Customer's Agent to act on its behalf with respect to nominations, imbalance resolution, and/or billing. In order to be considered a Customer's agent, the agent must execute and be in compliance with all the terms of the Customer Agent Agreement form.

# **ATTACHMENT B**

## **CLEAN TARIFF**

**RATE SCHEDULE 206**  
**SCHEDULE FOR LIMITING AND CURTAILING SERVICE**

**Applicability and Character of Service**

This Service Schedule defines the types of curtailment, interruption and penalty charges that the Company may invoke from time to time for Customers receiving firm or interruptible service due to the occurrence of extreme weather conditions, operating conditions, force majeure events, or other causes for limitation of service specified in the Company's Service Regulations and Rate Schedules, and describes the process and procedures to be followed in the implementation of Gas service restrictions.

**Distribution Pressure Curtailments**

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Company's Service Regulations, or the demands of the Company's firm Customers as the same may affect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will first curtail service to interruptible Customers served under Rate Schedule 204, Rate Schedule 208, or Rate Schedule 214, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and the Rules and Regulations of the Public Service Commission of South Carolina.

**Supply or Capacity Related Curtailments**

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring firm sales service from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule 204, or Rate Schedule 208 by priority of their margin contribution to the Company. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 214 at market prices in order to serve firm Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and the Rules and Regulations of the Public Service Commission of South Carolina.

**Emergency Service**

The Company will make every reasonable effort to deliver/redeliver plant protection volumes of Gas to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency service is interruptible and is of a discretionary nature on the part of the Company and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries/Redeliveries of Gas for emergency service hereunder shall be made pursuant only to advance operating arrangements between the

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**RATE SCHEDULE 206**  
**SCHEDULE FOR LIMITING AND CURTAILING SERVICE**

Company's authorized personnel and the Customer and shall be subject to modification, curtailment or interruption at any time should the Company deem it necessary.

**Rate for Emergency Service**

If the Company has authorized the Customer to receive emergency service as provided in the above paragraph, then all Gas so consumed by the Customer for emergency service will be at a rate set forth on the Company's "Rates and Charges" tariff sheet, plus the usage rate for Rate Schedule 204 and 214 as applicable, plus the higher of two commodity indices - a "Monthly Contract Price" or a "Daily Price" - for each dekatherm of consumption. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as first published in Inside F.E.R.C.'s - Gas Market Report in the table titled "Monthly Bidweek Spot Gas Prices" under the heading "Louisiana/Southeast Transco, zone 3" in the column titled "Index", plus Transco's zone 3 to zone 5 IT transportation rate inclusive of all surcharges and fuel. "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Northeast", "Transco, zone 6 non-N.Y.", "Midpoint" price. For days of consumption when the "Monthly Contract Price" is not published, the "Monthly Contract Price" shall equal the corresponding "Daily Price" published for the first day of the month of flow. For days of consumption when the "Daily Price" is not published, the "Daily Price" shall equal the average of the corresponding "Daily Price" as published on the nearest preceding and nearest subsequent day. Customers who bring into Piedmont's system authorized quantities of Gas for emergency service redeliveries shall not be subject to the commodity index billing stated above for such quantities. The Customer's consumption will continue to be billed hereunder until the Company notifies the Customer that either (1) further Gas sales or redeliveries may be made under the Customer's regular Rate Schedule or (2) complete curtailment is unavoidable and that further Gas sales or redeliveries will be considered unauthorized.

**Penalty for Unauthorized Gas**

If at any time a Customer fails to discontinue the consumption of Gas limited by the Company pursuant to an Operational Order, fails to abide by imbalance restrictions imposed by the Company through the issuance of an Operational Order or otherwise takes Gas or delivers Gas to the Company at levels in excess of the quantities specified by the Company, any such quantities shall constitute "Unauthorized Gas". For each dekatherm of such Unauthorized Gas, Customer shall pay to the Company a rate set forth on the Company's "Rates and Charges" tariff sheet, plus the usage rate for Rate Schedule 204 (sales) or Rate Schedule 214 (transportation), plus the higher of two gas commodity indices - a "Monthly Contract Price" or a "Daily Price" as both are defined above. Such three-part rate shall constitute the Unauthorized Gas penalty charge applicable except in instances of Customer's failure to abide by restrictions on long imbalances which shall be subject to the standalone rate set forth on the Company's "Rates and Charges" tariff sheet. Customers causing Unauthorized Gas shall be further subject to immediate termination of service or disconnection from the Company's system. In the event of such termination of service or disconnection, service shall not be restored until the Commission-approved reconnection fee has been paid by Customer to Company.

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The Customer's consumption and/or Gas deliveries to the Company will continue to be unauthorized until the Company notifies the Customer that either (1) the curtailment event, Operational Order or other restriction imposed by the Company has been lifted, thereby enabling further Gas sales or redelivery service to be made under the Customer's regular rate schedule, or (2) the Company agrees to provide emergency service under this Rate Schedule.

The Customer shall be liable for the Unauthorized Gas penalty charge together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the upstream interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for Unauthorized Gas shall not under any circumstances be considered as giving any such Customer the right to fail to comply with the Company's Operational Orders or other imposed restrictions, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule.

**Payment of Bills**

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

**Late Payment Charge**

A late payment charge of one and one-half percent (1½%) per month will be applied to all customers' balances not paid prior to the next month's billing date.

**Applicable Documents Defining Obligations of the Company and Its Customers**

Service under this rate schedule is subject to the Rules and Regulations of the Public Service Commission of South Carolina ("Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Public Service Commission of South Carolina, 101 Executive Center Dr., Columbia, SC 29210, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at [www.piedmontng.com](http://www.piedmontng.com).

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PIEDMONT NATURAL GAS COMPANY  
SOUTH CAROLINA CUSTOMER AGENT AGREEMENT

**APPENDIX B**

**CUSTOMER AGENT AGREEMENT**

This Customer Agent Agreement (“Agreement”) is made this \_\_\_\_\_ day of \_\_\_\_\_, 201\_, by and between Piedmont Natural Gas Company, Inc. (“Piedmont”) and \_\_\_\_\_ (“Agent”).

WHEREAS, Piedmont’s natural gas transportation tariffs provide for the ability of customers receiving Piedmont’s transportation services to designate and utilize a third-party agent for purposes of making nominations for and delivering natural gas to Piedmont on behalf of such customers and managing imbalances on the Piedmont system resulting from such activities; and

WHEREAS, in undertaking such activities on behalf of Piedmont’s customers, such Agents have the capacity to create material economic and operational risks for Piedmont and its customers; and

WHEREAS, Agent desires to act as a Customer Agent on Piedmont’s system; and

WHEREAS, Piedmont is willing to permit Agent to operate on its system under the terms and conditions set forth herein and under the parameters of Piedmont’s approved tariffs and service regulations.

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Piedmont and Agent agree as follows:

1. Establishment and Maintenance of Creditworthiness. Each Agent must establish credit with Piedmont in the form of a Letter of Credit, escrow deposit, parental guaranty, or otherwise, in form and substance acceptable to Piedmont, in an amount equal to or greater than the dollar value obtained by the following formula at all times:

The higher of Agent’s average daily load for the previous month or Agent’s First-of-Month confirmed daily nomination quantity for the new month x 3 days x (NYMEX prompt month close) x 1.25.

Each month, prior to nominating transactions for the first of the month business, an evaluation will be made to ensure that the established credit does not fall below the value obtained from the formula shown above. In the event Agent’s established credit falls below the value obtained through application of the formula shown above, either during this monthly evaluation or at any other time, Piedmont may require that the value of said Letter of Credit, escrow deposit, parental guaranty, or other form of assurance be changed at any time in order to reestablish adequate

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creditworthiness hereunder. In the event Agent fails to establish creditworthiness as set forth above, or fails to comply within 5 days with directions from Piedmont to increase the amount of its credit instruments as provided herein, then Agent's right to conduct business on the Piedmont system shall be suspended until such time as Agent shall be in compliance with the creditworthiness provisions set forth herein (including any requirements to increase said creditworthiness).

2. Customer Agent Imbalance Restrictions. Agent shall use all reasonable efforts to minimize intra-month imbalances. Agent shall not create a cumulative intra-month imbalance which exceeds three times Agent's aggregate First-of-Month confirmed daily nomination quantity. If this cumulative month-to-date imbalance restriction is exceeded at any time, then Agent's authorization to conduct business on Piedmont's system shall be immediately suspended except to the extent of transactions designed to reduce Agent's cumulative month-to-date imbalance. Upon any such suspension, Agent's authorization to conduct business on the Piedmont system shall not be restored until such time as Agent is in full compliance with the provisions hereof and all applicable provisions of Piedmont's Service Regulations, Rate Schedules and Operational Orders, as in effect from time to time.

3. Allocation of Imbalance Quantities/Penalties. Concurrent with the submission of monthly nominations, Agent shall provide Piedmont with a schedule of allocated nominations for customers to be served by Agent for the following month. This allocation shall serve as the basis for resolving imbalances with Agent's customers to the extent those imbalances are not resolved by Agent. In the event Agent fails to submit such schedule, and further fails to resolve any monthly imbalance during the term hereof, those imbalances and any attendant penalties shall be allocated to Agent's customers, *pro rata*, based upon the actual usage of each such customer during the month to which the unresolved imbalance and/or penalties is attributable.

4. Failure to Comply with Operational Orders, and Agent Creditworthiness and Imbalance Requirements. If Agent fails to adhere to the imbalance and credit requirements set forth above, or to obey an Operational Order or other specific instructions issued by Piedmont and designed to preserve the operational integrity of Piedmont's system, Agent (a) shall be subject to the Unauthorized Gas penalty provisions of Piedmont's Rate Schedule 206, and (b) shall have its right to transact business on Piedmont's system suspended.

5. Term. This Agreement shall become effective as of the date first written above and shall continue in full force or effect until terminated by either party hereto upon sixty (60) days written notice.

6. Supplemental Nature of Agreement. This Agreement is supplemental to the provisions of Piedmont's approved tariffs and service regulations, the provisions of which shall also apply to services rendered hereunder. As such, the restrictions and requirements set forth herein are cumulative in nature and in addition to any other imbalance or penalty provisions set forth in Piedmont's approved tariffs and service regulations.

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7. Billing and Payment. Billings to Agent for any amounts due hereunder, and payments by Agent on such billings, shall be made in a manner consistent with the billing and payment provisions of the underlying transportation tariffs pursuant to which service is rendered.

8. Miscellaneous.

- A. Modification. This Agreement may not be modified or amended except by the execution of a written agreement by the parties hereto.
- B. Waiver. No failure by any party to enforce this agreement with respect to any default in the performance of any of the provisions of this Agreement shall operate or be construed to operate as a waiver thereof or of any similar future default.
- C. Assignment. This Agreement may not be assigned by any party hereto without the express written consent of the other party hereto.
- D. Jurisdiction. This Agreement and the respective obligations of the parties hereto are subject to all valid laws, orders, rules and regulations of the Public Service Commission of South Carolina and any other governmental bodies having jurisdiction.
- E. Conflict of Laws. The construction, interpretation, and performance of this Agreement shall be in accordance with the substantive laws of the State of South Carolina without regard to any conflicts of laws provisions thereof.

IN WITNESS WHEREOF, the undersigned parties have executed this agreement as of the year and date first written above.

AGENT

PIEDMONT NATURAL GAS COMPANY

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

MAILING ADDRESS

Please submit to: Transportation & Pipeline Services  
Piedmont Natural Gas Company  
P.O. Box 33068

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Charlotte, N.C. 28233

OR

Transportation & Pipeline Services  
Fax Number: (704) 364-8320

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**PIEDMONT NATURAL GAS COMPANY  
SOUTH CAROLINA SERVICE REGULATIONS**

1. Foreword. Piedmont Natural Gas Company, Inc. (the “Company”) is a natural gas distribution company and is engaged in the business of selling and transporting natural gas for various customers. The purpose of these Service Regulations is to set forth the respective obligations of the Company and its South Carolina customers.

2. Definitions. As used in these Service Regulations, the following terms shall have the meanings assigned below:

- (a) The “Commission” shall mean the Public Service Commission of South Carolina, which regulates gas utilities operating within the State of South Carolina.
- (b) The “Company” shall mean Piedmont Natural Gas Company, Inc.
- (c) “Customer” shall mean any person, firm, association, or corporation, or any agency of the Federal, State or local government receiving gas service from the Company.
- (d) “Dekatherm” is the basic energy unit purchased by the Company and shall mean the unit of energy equivalent to 1,000,000 BTU.
- (e) “Force Majeure” shall mean acts of God, extreme weather conditions, strikes, lockouts, or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakages or accidents to machinery, lines of pipe or the Company's peak shaving plants, freezing of wells or lines of pipe, partial or complete curtailment of deliveries to the Company by its suppliers, reduction in gas pressure by its suppliers, inability to obtain rights-of-way or permits or materials, equipment or supplies for use in the Company's peak shaving plants, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the Company and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.
- (f) “Gas” shall mean undiluted natural gas, or a substitute for or mixture thereof, as delivered by the Company.

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- (g) "Gas Service Line" shall mean the pipe that runs between a main or a pipeline and a Customer's meter.
- (h) "Main" shall mean a gas pipe, owned, operated or maintained by the Company, which is used for the purpose of transmission or distribution of gas, but does not include "Gas Service Line".
- (i) "Margin" for curtailment purposes shall mean the filed tariff rate per unit of gas or negotiated rate per unit of gas for a Customer, less the per unit cost of gas, where applicable, as determined in the Company's last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.
- (j) "Meter", without other qualification, shall mean any device, or instrument which is used by the Company in measuring a quantity of gas.
- (k) "Meter assembly" shall mean Company's meters, regulator, piping, valves, vents, relief valves, gauges and/or other apparatus required to meter and control flow or pressure of gas.
- (l) "Operating Conditions" shall mean any modification, test or scheduled or unscheduled repair to the Company's distribution system which in the Company's discretion is necessary to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.
- (m) "Operational Order" shall mean a written order by Company's dispatcher, or other Company representative acting on behalf of Company's dispatcher, to limit, modify, curtail or interrupt the use of Gas as required or permitted by the Commission Rules and the Company's Service Regulations, Special Contracts, and Rate Schedules.
- (n) "Premise(s)" shall mean a piece of land or real estate, including buildings and other appurtenances thereon.
- (o) "Therm" is the basic billing unit of the Company and shall mean the unit of energy equivalent to 100,000 BTU.
- (p) "Transportation" shall mean the receipt of natural gas supplies that have been arranged by the Customer for delivery to the Company's city gate and the redelivery of such natural gas supplies to the Customer's premise.
- (q) "Unauthorized Gas" shall have the meaning set forth in Rate Schedule 206.

**3. Applicable Documents Defining Obligations of the Company and its Customers.**

The obligations of the Company to provide service and the obligations of the customer

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upon receipt of service are set forth in (a) the applicable statutes as set forth in Section 58 of the Code of Laws of South Carolina, (b) the applicable Rules and Regulations of the Commission, (c) the applicable rate schedule(s), (d) these Service Regulations and (e) any written application or other document executed by the Company and the customer pertaining to such service. Copies of these documents described in (b)-(e) above are available for inspection at each of the district offices of the Company. Upon request of any customer, the Company will provide the customer with a copy of the applicable rate schedule(s), these Service Regulations and any written application for service or other documents executed by the Company and the customer pertaining to such service. No promise, statement or representation by an employee or agent of the Company or by any other person shall bind the Company to provide service or to change the terms and conditions upon which service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In no event shall the customer be relieved from its obligation to pay in full the amount due for service received from the Company by the customer. In the event there is a conflict between these Service Regulations and the provision of the applicable currently effective rate schedule, the provisions of the rate schedule shall govern.

4. Delivery Pressure. The Company will provide to residential Customers a delivery pressure of either 7 inches water column (approximately 1/4 psig) or 2 psig. Commercial and Industrial Customers can be provided a delivery pressure of up to 5 psig. Delivery pressures of higher than 5 psig will be considered only if 1) requested in writing 2) justified by requirements of the fuel burning equipment. Documentation of such requirements must also be provided. Approval will be conditioned on the Company's distribution system pressure availability. Exceptions are subject to the approval of the Company.

5. Applicable Documents Subject to Change. All of the documents defining the obligations of the Company to provide service and the obligations of the customer upon the receipt of service are subject to change from time to time upon approval of the Commission and by other duly constituted governmental authorities. The Company does not undertake to advise any customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

6. Non-Waiver. The failure of the Company to enforce any provision of any applicable documents defining the obligations of the Company and its customers shall not be deemed to be a continuing waiver of such provisions for any customer or a waiver of any other provision of any of the applicable documents.

7. Application for Initial Service. The Company shall not be required to supply service to any customer unless and until the customer has executed an application for service which, among other things, contains the date of the application, the name of the applicant, the location of the premises for which service is requested, the type of service applied for and estimated gas consumption. The Company may, at its sole option, waive

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the requirement for a written application, in which event the obligations of the Company to provide service and the obligations of the customer upon receipt of service shall be controlled by the other applicable documents defining the obligations of the Company and its customers.

8. Application to Increase Gas Load. Residential customers receiving gas service from the Company will be permitted to increase their residential gas loads at the same premises without application to the Company. All other customers shall make application to the Company before increasing their gas load and before changing the purpose for which they use gas. The application will contain, among other things, the date of the application, the name of the applicant, the location of the premises for which service is requested, the type service applied for and estimated monthly gas consumption. If, in the Company's opinion, the Company has the capability to provide the additional or changed gas service without interfering with the Company's ability to provide service to its other customers, the Company will permit the customer to increase its load or to change the purpose for which it uses gas.

9. Non-Assignability of Right to Service. Any rights which accrue to the customer under any of the applicable documents defining the obligations of the Company and its customers are personal and may not be transferred or assigned without the written consent of the Company.

10. Vacated Premises. The customer will notify the Company before quitting or vacating the premises served and will pay upon presentation all bills due the Company.

11. Right-of-Way. The customer shall at all times furnish the Company a satisfactory and lawful right-of-way, at no cost to the Company, over the customer's premises for the Company's mains, services, and apparatus necessary or incidental to the furnishing of service. The obligation of the Company to supply service is dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises or permits, for the delivery of such service, and the Company shall not be liable to the customer for any failure to deliver service because of the Company's inability to secure or retain such rights-of-way, privileges, franchises or permits.

12. Access to Customer's Premises. The Company shall at all reasonable times have the right of ingress to and egress from the premises of the customer for any and all purposes connected with the provision of service. The Company shall have the right, at its option and at its own expense, to place demand meters, pressure gauges, or other instruments on the premises of the customer for billing, testing, or other purposes with respect to the customer's service.

13. Installation and Maintenance of Facilities. The Company will install and maintain the necessary mains, gas service lines, valves, regulators, meters, over-pressure devices, indexes, gauges, and/or other equipment or facilities required to provide service. All

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facilities from the point of connection at the outlet of the meter assembly shall be installed and maintained by and at the expense of the customer. The Company may specify the content and pressure of the gas to be furnished, the location of the meter and the point where the service connection shall be made.

14. Service Line Policy. The facilities to be installed by the Company in accordance with the foregoing paragraph will be at no cost to the Residential Customer if (1) at a minimum the Customer will be installing central gas heating, (2) the gas service line extends along the route selected by the Company and (3) the gas service line is no more than 100 feet. In the event that the above conditions are not met, the service rendered to the Customer must provide a reasonable return to the Company. If the Customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than 100 feet and/or the service to be rendered to the Customer will not produce a reasonable return to the Company, the Company may require the Customer to pay the excess cost of constructing the facilities along the alternate route or in excess of 100 feet and/or to make a contribution which will permit the Company to earn a reasonable return.

15. Relocation of Facilities. After a service connection has been made, it may be relocated on the customer's premises by the Company upon request of the customer, but the customer must bear the expense of the relocation, and the relocation will not be made where it will interfere with or jeopardize the Company's service either to the customer desiring the change or to any other customer or customers. The customer must also agree to change the location of the right-of-way and to bear the expense of the change. In no event, however, will the Company be required to relocate facilities if the relocation would interfere with or jeopardize the Company's service, either to the customer requesting the change or to any other customer or customers. All privileges of the Company incident to the original location shall apply to the new location.

16. Title to the Facilities. The title to all facilities including mains, gas service lines, meters and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the customer for extending service.

17. Responsibility Beyond Delivery Point.

- (a) Before installing gas pipes or appurtenant facilities and before purchasing gas equipment, the customer shall give the Company notice, and shall ascertain the character of service available at such premise. The Company may specify the content and pressure of gas to be furnished, consistent with Commission rules.

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- (b) Before permitting the initial use of gas at any location, a certificate of inspections and tests of customer owned piping shall be furnished the Company by the customer or by the local inspecting authority.
- (c) All piping and equipment installed by or on behalf of the customer must be installed and maintained in accordance with the requirements of the local, county, state, and federal authorities, and the customer shall keep in good and safe repair and condition all such piping and equipment from the point of connection of the meter assembly with the facilities of the Company.
- (d) If the customer's equipment might create either a vacuum or a back pressure, a device must be installed and maintained by the customer to protect the Company's facilities.
- (e) Equipment which will operate in one locality may be useless in another due to difference in gas pressure or content; therefore, before piping a premises or purchasing equipment, the customer shall give the Company notice, and shall ascertain the character of service available at such premises.
- (f) The Company is merely a furnisher of gas at the point where it passes from the Company's mains and services to the piping of the customer, and the Company shall not be responsible for any damage or injury to the buildings or other property of the customer due to gas installations, defective equipment, or other causes not due to the negligence of the Company. The Company shall not be in any way responsible for the transmission, use, or control of gas beyond the delivery point, and the Company shall not be liable for any damage or injury to any person or property whatsoever, or for the death of any person or persons arising, accruing, or resulting in any manner from the receiving or use of gas.

18. Interference with Company Property. The customer shall not interfere with or alter the Company's meters or other property or permit the same to be done by any person other than the Company's authorized agents or employees. Damages caused or permitted by the customer to said property shall be paid for by the customer. South Carolina law makes it unlawful to alter, tamper with or by-pass a gas meter. This law provides for fines and/or imprisonment at the discretion of the court for this offense. In addition, this statute provides for recovery in a civil action by the Company for losses and damages sustained.

19. Excavation in Proximity of Company's Facilities. The customer shall inform the Company of planned excavation activities in the proximity of the Company's facilities by calling the toll free number 1-800-922-0983 at least 72 hours in advance of the planned

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excavation activities. The customer will notify the Company prior to any additions or changes in his or her facilities which will extend over, under, or in close proximity to the Company's facilities.

20. Prohibition Against Resale of Gas. Gas is sold and delivered upon the express condition that the customer shall not directly sell or resell, assign, or otherwise dispose of gas, or any part thereof, to any person, firm, or corporation, except where service is supplied under a rate schedule specifically providing for resale. Under no circumstances will the Company supply gas for resale in competition with the Company.

21. Curtailment or Interruption of Service. In the event of a curtailment or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such curtailment or interruption due to accidents, force majeure, extreme weather conditions, operating conditions or causes beyond its control.

22. Action to Maintain System Integrity. When the Company in its discretion determines that it is necessary to limit, modify, curtail or interrupt service to maintain the integrity of its distribution or transmission system, to provide for its or the public's safety, or otherwise when Operating Conditions are such that the Company deems such action to be necessary, the Company shall have the right to limit, modify, curtail or interrupt service to any Customer through the issuance of an Operational Order. Violation of such Operational Orders by any Customer shall subject such Customer to disconnection and/or financial penalties as provided in Rate Schedule 206.

23. Discontinuance of Service. The Company, subject to the rules of the Commission, shall have the right to suspend or discontinue its service for (a) repairs or other necessary work on its mains or systems, (b) for nonpayment of bill in accordance with the R103-452 of the Commission's Rules and Regulations, as the same may be amended from time to time, and (c) for any of the following reasons:

- (a) For any misrepresentation as to the identity of the customer making the application for service.
- (b) For violation by the customer of any terms or conditions of the documents defining the obligations of the Company to provide service and the obligations of the Customer upon the receipt of service.
- (c) For the reason that the customer's use of the Company's service is detrimental to the service of other Customers. This may cover a Customer's failure, directly or indirectly, to deliver Gas to the Company or the violation by the Customer of an Operational Order.

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- (d) For the reason that the customer's use of the Company's service conflicts with or violates orders, ordinances or laws of the State of South Carolina, or any subdivision thereof, or of the Commission or of any other governmental agency having jurisdiction over the Company or the customer.
- (e) For the reason that piping, equipment, appliance or device is installed or in use on the customer's premises which permits the gas to be used without passing through the Company's meter, or which prevents or interferes with the accurate measuring of the gas by the Company's meter other than when such gas use is authorized under a non-metered rate schedule.
- (f) For failure of the customer to make, restore, or increase his or her deposit as required.
- (g) In the event of a condition determined by the Company to be hazardous.
- (h) In the event of tampering with the equipment furnished and owned by the Company.

Where the service has been discontinued for any reason except for the failure to pay for repairs or other necessary work by the Company, the Company shall have the right to refuse service at the same premises to any other applicant who is a member of the family of the former customer, or who resided on said premises until the reason for discontinuance has been resolved. The Company may require reasonable proof of identity of the applicant of service.

24. Removal of Equipment. In the event of such discontinuation of service, the Company may enter the premises of the customer at any reasonable time and remove the Company's meters, apparatus, appliances, fixtures or other property.

25. Non-Waiver of Default. Any delay or omission on the part of the Company to exercise its right to discontinue or suspend service, or the acceptance of a part of any amount due, shall not be deemed a waiver by the Company of such right so long as any default in whole or in part or breach of contract on the part of the customer shall continue, and whenever and as often as any default or breach of contract shall occur.

26. Establishment of Credit by Customer. The Company may require an applicant for service to satisfactorily establish credit pursuant to R103-431 of the Commission's Rules and Regulations.

27. Deposits. Pursuant to R103-431 of the Commission's Rules and Regulations the Company may require from any customer or from any prospective customer, a cash deposit intended to guarantee payment of bills for service. Interest paid on deposit and

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deposit retention will be in accordance with R103-433 and R103-436 of the Commission's Rules and Regulations.

28. Billing Procedure.

- (a) Meters will be read and bills rendered monthly on a cycle basis of not less than 28 days nor more than 34 days. All bills are due and payable at the office of the Company during regular business hours when rendered and become past due after twenty-five (25) days in the case of residential customers and fifteen (15) days in the case of customers other than residential, from the date the bill is rendered.
- (b) A late payment charge of one and one-half percent (1½%) per month will be applied to all customers' balances not paid within twenty-five (25) days from the billing date.
- (c) The Company will endeavor to deliver to the Customer a monthly bill of the amount due to the Company by mailing said bill by first-class mail to the mailing address furnished by the Customer or, at the Customer's election, by sending the bill electronically by way of computer internet connection. Failure to receive a bill will not entitle the Customer to any extension of time for payment beyond the past due date.
- (d) Where a meter for any reason is not read at the regular reading date, the Company may estimate the amount of service used by referring to the Customer's consumption for a similar prior period. To the extent practicable, the Company will avoid sending a Customer two successive estimated bills; however, in cases of force majeure, as defined under Section 2(e) Definitions, bill estimates may be permitted for two successive billing periods, or greater. The Company will bill the Customer on the basis of the estimated use and will make any necessary adjustments when the meter is next read.
- (e) No claim or demand which the customer may have against the Company shall be offset or counterclaimed against the payment of any sum of money due the Company by the customer for services rendered, and all such sums shall be paid in accordance with the agreement regardless of such claim or demand.

29. Adjustment of Bills Due to Failure or Inaccuracy of Meter. Bills which are incorrect due to meter or billing errors will be adjusted as provided in R103-440 of the Commission's Rules and Regulations. Transportation Customers requiring adjustment to their bills for meter or billing errors shall be adjusted in accordance with R103-440 of the Commission's Rules and Regulations except for the commodity portion which shall be cashed out in accordance with Rate Schedule 207.

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30. Returned Check Charge. Where the customer makes payment for service by check which is not honored or paid by the bank, full payment will immediately be due and payable, and the Commission approved handling charge will be made.

31. Curtailment of Service. It is contemplated that the Company will from time to time find it necessary to curtail gas service to those customers who purchase gas from the Company under interruptible rate schedules. In addition, unavailability of gas supplies, requirements of public safety or other factors beyond the control of the Company may make curtailment of any customer necessary. In all such events, to the extent practicable, the Company will curtail those customers paying the least margin per dekatherm first. If it is necessary or interrupt some but not all of the customers paying the same margin per dekatherm, then, to the extent practicable, service shall be curtailed to the customers paying the same margin per dekatherm on a pro rata basis.

32. Reconnection Fees. When service has been discontinued at the request of the Customer or a member of a Customer's family residing at the same residence, or for nonpayment of bills, and if reconnection is requested by the same Customer or a member of such Customer's family residing at the same residence, on the same premises within one year after date of discontinuance, the Commission-approved Reconnection Fees will be charged.

33. Applicable Rate Schedules. The Company will at all times have current rate schedules on file with the Commission. The rates contained in these rate schedules are subject to change from time to time as permitted by Commission.

34. Residential Rate Service Classification. Residential rate service classification under the Company's Rate Schedules 201 and 221 shall be based on the following criteria:

A. Definitions: As used in residential rate service classification, the following terms shall have the meanings assigned below:

(1) "Residential Base Load Period" shall mean the cycle billing months of July and August.

(2) "Base Load Usage" shall mean the amount of natural gas used by a customer as reflected by the Company's invoices for that Customer during the cycle billing months of July and August.

B. Procedure

Step 1. During the month of September of each year, the Company will determine for each customer served under Rate Schedules 201 and 221 the

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customer's Base Load Usage during each month of the Company's Residential Base Load Period.

Step 2. A Rate Schedule 201 Customer whose base load usage during each month of the Residential Base Load Periods of the most recent two years is less than 15 therms will be transferred to Rate Schedule 221. A Rate Schedule 221 Customer whose base load usage is equal to or greater than 15 therms in either month of the Residential Base Load Period of the most recent past year will be transferred to Rate Schedule 201.

All changes in rate classification under this section shall be effective on the first day of November following the most recent Residential Base Load Period.

C. Exceptions:

- (1) New Customers will be assigned a Residential Rate Classification according to their reasonably anticipated base load usage associated with the type and number of appliances installed at the customer's premise prior to the gas meter being set and turned on.
- (2) Existing Customers currently being billed under Rate Schedule 221 who add a piece of natural gas equipment that will clearly increase the Customer's base load usage to a level that will qualify that Customer for Rate Schedule 201 may, upon notification to the Company and subject to verification by the Company, be transferred to the new Rate Schedule prior to November 1.
- (3) All Residential Customers who receive a rebate for the purchase and installation of a qualifying natural gas tankless water heater pursuant to the Company's High Efficiency Equipment Rebate Program or who otherwise make known to the Company that they operate for their premise a natural gas tankless water heater, shall be billed under Rate Schedule 201.

35. Commercial Rate Service Classification. Commercial Rate Service Classification under the Company's Rate Schedules 202, 232, 252 and 262 shall be based on the following criteria:

A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.

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- (2) “Actual Annual Usage” shall mean the actual natural gas volumes consumed by the Customer during the Annual Review Period as reflected on the Company’s invoices for the Customer.
- (3) “Classification Usage” shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 202 and Rate Schedule 232 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 252 and Rate Schedule 262 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.
- (4) “Involuntary Curtailment Days” shall mean those days or portions of days in a given Annual Review Period where curtailment of the Customer’s natural gas service was imposed by the Company’s decision to curtail.
- (5) “Service Days” shall mean 365 days less the number of Involuntary Curtailment Days.
- (6) “Average Daily Usage” shall be the Customer’s Actual Annual Usage divided by the number of Service Days within the Annual Review Period.
- (7) “Summer Load Percentage” (SLP) shall mean the percentage of the Customer’s Actual Annual Usage that occurs during the seven (7) month summer period of April through October in a given calendar year.

**B. Procedures:**

- (1) At the conclusion of the Annual Review Period of each year and prior to June 1<sup>st</sup> of the ensuing year, the Company will determine for each customer served under Rate Schedule 202, Rate Schedule 232, Rate Schedule 252, and Rate Schedule 262 that Customer’s Average Daily Usage and their SLP.
- (2) Those customers currently receiving service under Rate Schedule 202 or Rate Schedule 232 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 252 or Rate Schedule 262 as applicable, effective on the first day of June

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following the most recent Annual Review Period.

- (3) Those customers currently receiving service under Rate Schedule 202 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP is greater than 30% will be transferred to Rate Schedule 232 effective the first day of June following the most recent Annual Review Period.
- (4) Those customers currently receiving service under Rate Schedule 232 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 202 effective the first day of June following the most recent Annual Review Period.
- (5) Those customers currently receiving service under Rate Schedule 252 or Rate Schedule 262 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 202 or Rate Schedule 232 as applicable, effective on the first day of June following the second, and most recent, Annual Review Period.
- (6) Those customers currently receiving service under Rate Schedule 252 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP exceeds 30% will be transferred to Rate Schedule 262 effective the first day of June following the most recent Annual Review Period.
- (7) Those customers currently receiving service under Rate Schedule 262 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 252 effective the first day of June following the most recent Annual Review Period.
- (8) Those customers currently receiving service under Rate Schedule 202, 232, 252, or 262 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 203, 204, 213, or 214 as applicable.

- C. Exceptions: If a customer currently being billed under Rate Schedule 202 or Rate Schedule 232 adds natural gas equipment that increases the

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Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 252 or Rate Schedule 262, the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

36. Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 203, 204, 213 and 214 shall be based on the following criteria:

- A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:
- (1) "Actual Annual Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company as reflected on the Company's bills for that Customer.
  - (2) "Average Dekatherm per Day" shall mean the Actual Annual Usage of a Customer divided by the number of Service Days within the Review Period.
  - (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 202 shall not exceed an average usage of 50 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 203, 204, 213 and 214 shall exceed an average usage of 50 dekatherms per day.
  - (4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.
  - (5) "Review Period" shall mean the twelve (12) months ended on December 31, or the regularly scheduled meter reading nearest December 31.
  - (6) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

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**B. Procedure:**

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 203, 204, 213 and 214 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 202, 232, 252 or 262 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 203, 204, 213 or 214, as applicable. A Rate Schedule 203, 204, 213 or 214 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 203 or 204 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

- C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting from the

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retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 203 or 204, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, service will be provided under Rate Schedule 203 or 204, dependent upon rate qualification.

- D. Requirements: Upon reclassification from Rate 202, 232, 252 or 262 to either Rate 203, 204, 213, or 214, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

37. Limitation on Liability for Rendering Service on an Incorrect Rate Schedule. If it is determined that a customer has been placed on an incorrect rate schedule, the customer shall be placed immediately on the correct rate schedule and the customer's bill shall be adjusted for such period (not to exceed 6 months) that the customer was on the incorrect rate schedule. The customer and/or Company shall have 90 days in which to pay any such adjustment. Except as herein provided, neither The Company nor the customer shall have any liability to the other party with respect to the purchase and/or sale of gas under an incorrect rate schedule.

38. Agency Authorization. Certain Rate Schedules permit Customer to authorize a Customer's Agent to act on its behalf with respect to nominations, imbalance resolution, and/or billing. In order to be considered a Customer's agent, the agent must execute and be in compliance with all the terms of the Customer Agent Agreement form.